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In the Supreme Court of the United States

OCTOBER TERM, 1979

PIHER INTERNATIONAL CORPORATION, and PIHER SOCIEDAD ANONIMA,

Petitioners,

vs.

CTS CORPORATION,

Respondent.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Seventh Circuit

BRIEF FOR RESPONDENT IN OPPOSITION

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BRIEF FOR RESPONDENT IN OPPOSITION

Respondent concedes that this Court has jurisdiction under 28 U.S.C. §1254(1) to consider the petition for writ of certiorari in this case. The petition presents no question deserving of this Court's attention and the contentions made in it are without substance.

COUNTER-STATEMENT OF THE CASE

Inasmuch as Petitioner's "Statement Of The Case" (Pet. pp. 7-10*) is incomplete and in some respects inaccurate, Respondent, CTS, presents this supplement.

Piher, the Petitioner, has had two opportunities** to prove that one of CTS' patents*** in this suit is invalid because Piher had placed "on sale in this country", 35 U.S.C. §102(b), before March 16, 1969**** a variable resistor***** designated as PT-15, manufactured in Spain and exemplified by Defendant's Exhibit 48. At the first trial some evidence relating to an alleged shipment from Spain by Piher of variable resistors on March 3, 1969 to Motorola Inc. in the United States was erroneously excluded. On the first appeal the Seventh Circuit "expressly declined to make the requisite findings of fact" [A-3, D-16] relating to the on sale issue because the character of the devices, which the Court "assumed" had been shipped before March 16, 1969 [D-15 footnote 33], was of "critical importance" [D-12] in view of Piher's "burden of proving that it had reduced the concept to practice before the critical date" [A-4, D-12]. Consequently, retrial of the "on sale" issue

* References to the Petition for Writ of Certiorari are designated hereinafter as Pet. p. .....; and references to Appendices A, B, C, D and E submitted with the petition are designated respectively as A-...., B-...., C-...., D-.... and E-.....

** The first appellate decision was *CTS Corp.* v. *Piher International Corp.*, 527 F.2d 95 (7th Cir. 1975), *cert. denied*, 424 U.S. 978 (1976) and the second appellate decision, to which the petition is addressed, is reported at 593 F.2d 777.

*** United States Patent No. 3,670,285 issued upon an application filed on March 16, 1970.

**** The critical date.

***** Also referred to as a "trimmer" or "potentiometer".

was ordered for the express purpose of permitting a trial judge to make the necessary findings.

Upon retrial the evidence differed substantially from that admitted and offered at the first trial*. The second trial convinced the district court that variable resistors corresponding to Defendant's Exhibit 48 had arrived at the Motorola plant in Chicago, Illinois by April 7, 1969 [C-2], but the evidence was insufficient to establish that they were shipped from Spain on or about March 3, 1969, i.e., the date appearing on certain of the shipping documents [C-4]. Nevertheless, the district court regarded the shipping documents *alone* as proving that variable resistors identical to Defendant's Exhibit 48 existed in Spain on March 3, 1969 and had been offered for sale to Motorola before March 16, 1969. There was no testimony concerning the existence of such variable resistors at that time and no other documents such as production records, manufacturing data, drawings, parts orders, machine tooling orders or shop orders were produced [A-4 to A-5].

The retrial court also found [C-7] that in November, 1968 Piher's completed potentiometer samples identical to Defendant's Exhibit 48 had been shown to a Motorola representative in Spain. The sole support for this finding was the testimony of Motorola's representative who had not seen the internal components of the sample or its

* For example, Piher advised the first court that it had furnished samples of the devices to Motorola in late 1968 [D-10], but the evidence upon retrial plainly showed that no such samples were furnished prior to April 7, 1969 despite repeated "pressing" by Motorola [A-10, A-11]. The retrial court characterized Piher's inability to furnish any samples prior to April, 1969 as "the strongest part of the plaintiff's case" [C-7]. Thus, Piher's repeated statements (Pet. pp. 8, 9) that the "same evidence" was before both courts are inaccurate.

electrical operation but who had "the impression" that he was shown complete devices [C-7, A-6]. On the basis of the two* findings [A-4] the district court upheld Piher's "on sale" defense [C-10].

On the second appeal the Seventh Circuit reviewed the case within the limits set by the "governing rule" laid down in the first appellate opinion [A-3] and, in a unanimous opinion, authored by Judge Tone and concurred in by Judge Cummings and Judge Markey, Chief Judge of the Court of Customs and Patent Appeals, said:

> "The governing rule laid down in **CTS v. Piher** is that it was unnecessary for Piher to prove a completed sale of the PT-15 in the United States prior to March 16, 1969, in order to establish the on-sale defense under § 102(b), and that if before that date Piher was
>
> > offering to prospective purchasers in the United States a product which (a) embodied the '285 invention and (b) was complete in the sense that it represented a reduction of the invention to practice, the invention was on sale within the meaning of the statute and the '285 patent is invalid."

The finding of reduction to practice in November, 1968 was found unsupportable because Piher had fallen "far short of proving by clear and convincing evidence that its PT-15 was reduced to practice" [A-8]. The reasons for this reversal were the gaps, inconsistencies and speculative nature of the proof. Some of the contradictions in Piher's evidence had created serious doubts in the mind of the retrial judge [A-6 to A-8].

The second appellate decision adverted to the remarkable finding that three shipping documents [D.Ex. 38, D.Ex. 39,

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* Reduction to practice in Spain in November, 1968 and existence in Spain of completed devices on about March 3, 1969.

D.Ex. 211] which were inadequate proof of shipment before March 16, 1969, somehow established the existence of complete, operative potentiometers before that date [A-9 to A-11]. The factual inaccuracy of one of these documents, a letter dated March 7, 1969 [A-10] and admitted instances of inaccuracy of Piher's other shipping documents were noted [A-11]. The appellate court observed that Piher's business relation to Motorola demanded shipment of the variable resistors promptly upon their completion and that Piher presented no credible evidence relating to the normal transit time of shipments from Spain to the United States [A-11] although the retrial court surmised that the time would be 7 to 10 days [C-5]. In view of these circumstances the appellate court held that Piher had failed to prove by clear and convincing evidence that the potentiometers which Motorola received on April 7, 1969 were either in existence or had been proved operable by tests conducted in Spain, i.e., had been reduced to practice, before March 16, 1969 [A-11, A-12].

REASONS FOR DENYING PETITION

A. The Petition Presents No Issues Requiring Review By This Court

The petition sets forth no important questions of law which require review by this Court. Indeed, since the second appellate court decision explicitly followed the "governing law" of the first decision [A-3] and since the second court decided only one issue, namely the sufficiency of the evidence to meet Petitioner's burden of proof [A-1], no issue could possibly be raised requiring review by this Court. The petition alleges no conflict with any other appellate decision. There is no public interest involved over and above that raised by any patent infringement suit. Review by this Court for the purpose of restating and emphasizing Rule 52(a) F.R.C.P., as presented by question No. 1, is unnecessary and questions 2, 3 and 4 are argumentative rhetoric unrelated to any appellate holding in this case.

B. Questions 1 And 3 Do Not Present An Important Issue

Piher's first and third questions are demonstrative of the routine and unimportant nature of the petition. Appellate implementation of Rule 52(a) F.R.C.P. and of "the mandate of" *Zenith Radio Corp.* v. *Hazeltine Research, Inc.*, 395 U. S. 100, 122-125, 89 S.Ct. 1562, 1575-1577 (1969), could be challenged whenever an appellate court reverses a judgment predicated upon clearly erroneous findings. In the present case, reversal of the district court's findings did not violate Rule 52(a) but was plainly required by that Rule.

The differences between the *Zenith* case and the present case are pervasive and crucial. The fact issue in *Zenith* was whether the company had suffered injuries as a result of its wrongful exclusion from a market. The type of injury involved in *Zenith* is "rarely susceptible of . . . concrete, detailed proof", 395 U. S. 123, 89 S.Ct. 1576. The "trial court was entitled to infer [damages] from . . . circumstantial evidence" 395 U. S. 125, 89 S.Ct. 1577, and the trial court's finding of injury should have been upheld because it was supported by testimony of Zenith "officers, experienced businessmen", 395 U. S. 122, 89 S.Ct. 1576, and because the injury alleged "was precisely the type of loss that the claimed violations of the antitrust laws would be likely to cause", 395 U. S. 125, 89 S.Ct. 1577.

The relevant factors in the present case point in the opposite direction. The standard of proof for the "on sale" defense is not mere preponderance but clear and convincing evidence. The facts relating to the "on sale" defense are not inferential but are commonly susceptible to concrete and detailed proof, particularly where, as here, the facts are peculiarly known to and the evidence is within the control of the party bearing the burden of proof.

In *Zenith* the evidence of injury was not riddled with contradictions, lacunae and other suspect factors. Here, even the district court was troubled by Piher's introduction of "a new bit of evidence at this trial . . . [which] is so entirely self-serving" [C-1], by "its failure to call any witness who may have had first hand knowledge" [C-3], by its "not satisfactory" evidence concerning transit time from Spain to the United States [C-5], by the surprising absence of any "production records" concerning potentiometers manufactured in Spain [C-6], and by the failure to explain why potentiometers "manufactured in the first

instance specifically for Motorola . . . would not have been of the proper value" [C-8].

The trial court in *Zenith* entered comprehensive written findings, *Hazeltine Research, Inc.* v. *Zenith Radio Corporation,* 239 F.Supp. 51, 54-68, 69-76 (N.D. Ill. 1965). Here the findings were made "orally, and apparently extemporaneously, immediately following the conclusion of the trial" [A-3]*.

The appellate court's careful analysis of the record and of the retrial court's reasoning [A-4 to A-12] incisively supports the reversal. The finding of Piher's November, 1968 reduction to practice of potentiometers was supported only by Adams' testimony about seeing samples which "'looked' complete" [A-6]. The retrial court accepted this speculative testimony in spite of Adams' concession that he did not know whether the samples "really worked electrically", and that he " did not st' the samples or even examine their internal construction" [A-6]. Such flimsy foundation for the finding of reduction to practice in November, 1968 [C-10] and a host of countervailing facts [A-6 to A-8] imperatively demanded reversal. The appellate court did not reject Adams' testimony but, instead, found it plainly insufficient to meet Piher's burden of proving a reduction to practice in November, 1968 [A-6 to A-8]. There was no other evidence on that point.

The finding of Piher's March 3, 1969 reduction to practice is supported only by three shipping documents (*supra,* pp. 4-5) [A-9], one of which is "demonstrably inaccurate" [A-11]. This finding conflicts with many facts of record as detailed by the appellate opinion [A-9 to A-12]. Moreover, the finding was regarded as logically irreconcilable with the district court's refusal to accept these same shipping documents as proof of shipment of potentiometers on or about March 3, 1969. This finding could not have been accepted without total abdication of the appellate court's function under Rule 52(a).

* Piher's assertion (Pet. p. 3) that the district court's opinion was rendered "from prepared notes" has no basis in the record.

In support of its questions under Rule 52(a), Piher (Pet. p. 14) excerpts from the appellate opinion some snippet quotes, apparently designed to suggest that the appellate court gave free rein to wild surmise and speculation. Any such suggestion is at odds with the appellate opinion's rational and balanced review of the extemporaneous findings made by the retrial judge.

Piher also tries to rehabilitate the retrial court's findings by extolling the testimony of one witness and by excoriating the appellate opinion for its "total disregard . . . of Klass' lengthy testimony" (Pet. p. 15). Such disregard cannot be seriously criticized for Klass did not and could not testify about the existence of potentiometers in Spain either in November, 1968 or in early March of 1969. Since the testimony of Klass had nothing whatsoever to do with either of the two crucial findings, it was unnecessary for the second appellate court to comment upon that testimony.

C. Questions 2 And 4 Do Not Present An Important Issue

1. Alleged Inconsistency Between Decisions Within The Same Circuit Is To Be Resolved Without Resort To This Court

The second and fourth questions of the petition present nothing of importance warranting review by this Court. Piher's opaque and ill-focused questions of law apparently ask this Court to test the second appellate opinion by the

doctrine of the law of the case and to establish some rule against any inconsistency in successive appellate opinions rendered in the same case.

Piher argues (Pet. p. 17) that certain language in the second appellate opinion "about 'tests conducted in Spain' ", was not found or foreshadowed in the first opinion. This argument is unpersuasive because it ignores the differences between the evidential-procedural antecedents of the two appellate opinions. Thus, there was no occasion for the first opinion to refer to tests in Spain because the first appellate court was told that samples had been delivered to Motorola in the United States for testing in late 1968. Moreover, as the first opinion said, shipment on March 3, 1969 would give rise to an "inference" of reduction to practice so that if shipment were proved at retrial, there would have been no need for further evidence of reduction to practice by testing in Spain. Any verbal variation between the two appellate opinions with respect to testing in Spain could at most create only a marginal uncertainty with respect to the future application of the "on sale" law.

If an inconsistency between the two appellate opinions could be detected, its cure would be of interest only to Piher because the alleged and nonexistent inconsistency is, at best, latent and unintended and arose in a factual and procedural concatenation, which is unlikely to be re-encountered by another court. Genuine and overt intra-circuit conflicts concerning questions of law should be resolved intramurally rather than by this Court, Stern and Gressman, Supreme Court Practice (5th Ed. 1978) pp. 275-277. *A fortiori,* a marginal, unintended and latent inconsistency, even if one existed here, does not deserve the attention of this Court.* In fact the formulation of the

* A request for rehearing in banc in this case was denied [B-2].

questions presented makes clear that Piher does not seek clarification of the substantive law relating to 35 U.S.C. §102(b).

2. Piher Misrepresents The Record And The First Appellate Decision

Piher's desperate quest for a reversal or a third trial of the "on sale" issue is predicated on misrepresentations. The petition's repeated references to "findings" in the first appellate opinion (Pet. pp. 2, 9, 11, 12, 13, 15, 16, 17) are plainly false in view of the opinion's express refusal "to make the requisite findings of fact" [D-16]. The so-called appellate "findings" are merely statements or assumptions explaining why "erroneous evidentiary rulings prevented Piher from presenting a possibly meritorious defense" [D-15].

Piher states (Pet. pp. 8, 9) that the "same evidence" which had been proffered and erroneously excluded was considered and found to be clear and convincing by the retrial judge. The judicial opinions rendered herein upon the complete record show otherwise.

The first appellate opinion left to the retrial judge "the question of credibility and the interpretation of the exhibits" [D-16]. Upon retrial some of the testimony presented at the first trial turned out to have been "wrong" [C-7]. The retrial judge charitably described the shifting testimony as "confused" [C-7]. As was pointed out previously, Respondent's strongest evidence was not even before the first court which was misled to the belief that samples had been received by Motorola in late 1968 [D-10]. The key element in the charge of inconsistent appellate opinions and deviation from the law of the case, i.e., *the element of identical evidence* at the two trials, is consequently missing.

The first appellate opinion explains that Piher challenged the validity of the '285 patent by evidence and offers of proof intended to show that its potentiometer "shipment . . . left Barcelona" before March 16, 1969 [D-10]. In its analysis of the excluded evidence the first appellate decision focused on the "assumed" shipment of potentiometers to the United States "from Barcelona on March 3, 1969" [D-15 including footnote 33] and said that the "character of the devices shipped by Piher on March 3, 1969, was of critical importance" [D-12].

The evidence relating to the alleged shipment on March 3, 1969 was evaluated by the retrial judge as envisioned in the first appellate opinion [D-16] but was explicitly found to be inadequate. The retrial judge concluded [C-4 to C-5]:

> "I could not find from clear and convincing evidence that this shipment took place on March 3, 1969, or even within a day or two after that date."
>
> * * *
>
> "On the basis of the whole evidence in the case, I cannot find that this shipment of potentiometers left Spain prior to the critical date, March 16, 1969. They may have left before March 16th. They may not have left before March 16th. It would take a gambler to bet either way on that proposition."

The second appellate opinion thus reviewed a body of evidence which differed significantly from the combination of admitted and excluded evidence considered in the first appellate opinion. It also reviewed findings which expressly and deliberately rejected the intended showing of the offer of proof at the first trial, i.e., shipment from Barcelona on March 3, 1969 and the nature of the devices shipped. Piher did not challenge the finding of the retrial court that shipment prior to March 16, 1969 had not been proved and does not do so in its petition. The second appellate opinion

implicitly shared the trial court's view that such shipment had not been proved. It is consequently clear that the petition's emphasis on appellate "findings" and on the identity of the evidence before the two appellate panels presents questions 2 and 4 against an evidentiary and procedural background which is but vaguely related to the actuality of this case.

3. Reversal Of The Retrial Court Was Consistent With The First Appellate Opinion

The first appellate opinion pointed out that the alleged shipment from Spain on March 3, 1969 was a necessary underpinning "to justify the inference that the Piher control had been reduced to practice prior to the critical date" [D-15]. When the evidence upon retrial was found inadequate by the trial court to support a finding that such a shipment had occurred [C-5] the basis for the inference referred to in the first appellate opinion was destroyed. The retrial court believed [C-10] that if the devices received by Motorola on April 7, 1969 were in existence in Spain prior to March 16, 1969, even though not shipped, this would suffice to place them "on sale" in the United States as required by 35 U.S.C. §102(b) and the second appellate decision assumed that this was correct [A-4, A-9 footnote 6].

The retrial court grappled with the question as to whether the devices were proved to have been in existence and in discussing the evidence, used such language as "it is probable and certainly more probable than not" and "one can argue either way" [C-5]. After stating that it was equally impressed with the arguments of both counsel as to the facts and acknowledging that he "would have to take more time to study the documents and study the mathematics involved" and maybe "couldn't come to a

definite conclusion even then" [C-5], the trial court proceeded to make a finding that the evidence clearly and convincingly demonstrated the existence of the devices [C-9]. The second appellate court found it was "apparent" that the retrial court had "applied a lower standard of proof than required under §102(b)" [A-10] and, hence, meticulously analyzed the meager evidentiary support for the finding, i.e., three shipping documents [A-8 to A-11], but found it wanting. A critical finding entered by applying the wrong standard of proof is not isolated from appellate review by any provision of Rule 52(a).

4. The Second Appellate Opinion Made No New Evidence Requirement

The second appellate court pointed out that there was no other evidence of reduction to practice prior to March 16, 1969 as, for example, by testing in Spain to prove operability [A-12]. In the absence of shipment prior to March 16, 1969, or a supportable finding that the devices received by Motorola on April 7, 1969 were in existence prior to March 16, there was no basis for any inference that a reduction to practice had occurred. When the second appellate court found no evidence of an actual reduction to practice, i.e., by testing in Spain prior to March 16, 1969, reversal was compelled in view of the law of the case enunciated in the first appellate decision that Piher "had the burden of proving that it reduced the concept to practice before the critical date" [D-12, A-4]. The second appellate court made no requirement that such testing be shown if Piher could have proved either the shipment on March 3, 1969, which the first appellate court decision erroneously "assumed", or the existence in Spain of the Motorola devices prior to March 16, 1969. Thus, Petitioner's question 2 which is based upon an allegation of

"newly required evidence" is simply not raised by the facts of this case. Petitioner's question 4 is inapplicable to the case at bar because the second appellate court explicitly followed the law of the first appellate decision [A-3].

It is, therefore, clear that the actual evidentiary and procedural background of this case does not lend itself to a meaningful consideration of questions 2 and 4.

CONCLUSION

The petition presents no important reason why a writ should issue. Piher's effort to create the contrary impression ignores the numerous and striking dissimilarities between this case and *Zenith*. Piher strains to impute to the Seventh Circuit an unintentional and nonexistent deviation from the law of the case and an unintentional and nonexistent inconsistency with respect to its own prior opinion in this case. Such alleged deviation and inconsistency is predicated on misrepresentations of the record, does not constitute an important question and does not lend itself to meaningful analysis against the unique, tangled and shifting evidentiary and procedural backdrop of this case. The petition for writ of certiorari should be denied.

Respectfully submitted,

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